



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Jason Simpson, City Manager

Prepared by: Shannon Buckley, Assistant City Manager

Date: January 09, 2024

Subject AB1600 Annual Report for Fiscal Year 2022-23

Recommendations

1. Receive and file the AB 1600 Annual Report and adopt the findings therein.

Background

The City of Lake Elsinore collects development impact fees for Traffic Infrastructure, City Hall and Public Works Facilities, Community Center Facilities, Lakeside Facilities, Animal Shelter Facilities, Fire Facilities, Library Facilities and Drainage Facilities.

The Mitigation Fee Act (AB 1600; Government Code Section 66000 *et seq.*) sets forth the requirements the City must follow in connection with such development impact fees, which are imposed to defray the cost of construction of public facilities related to development projects. Also, AB 1600 imposes certain accounting and comprehensive annual reporting requirements for the fees collected.

For accounting purposes, the development impact fees must be segregated from the general funds of the City and other funds or accounts containing fees collected for other improvements. Interest on each development fee fund or account must be credited to that special revenue fund or account and used for the purposes for which the fees were collected.

Government Code Section 66006 contains comprehensive annual reporting requirements for development impact fees. This statute requires the City to make the following information available to the public annually for each development impact fee:

- A brief description of the type of fee in the account.
- The amount of the fee.
- The beginning and ending balance of the account for the fiscal year.
- The dollar amount of fees collected.
- The interest earned.
- Identification of each public improvement on which fees from the account were expended, the dollar amount of expenditures on each improvement, and an identification of the percentage of the cost of the improvement that is being funded with impact fees.

- Identification of an approximate date by which construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement and the public improvement remains incomplete.
- Description of each inter-fund transfer or loan made from the account, including the public improvement for which the transferred or loaned fees will be expended.
- Findings, under Government Code section 66001(d) for portions of the fee account that are unexpended in the fifth fiscal year following the initial deposit in the account and every five years thereafter.
- The amount of any refunds made according to the statute.

Staff has compiled the attached AB 1600 Report for Fiscal Year 2022-23 in accordance with the Fee Mitigation Act. The Report provides an annual accounting of the activity in each development impact fee special revenue fund for the fiscal year ended June 30, 2023, and a five-year history. The Report also provides a plan for future uses of the unexpended special revenue fund balances. The Report is available on the City's website and copies were sent to the Building Industry Association ('BIA") along with SCE and the Gas Co. for review as requested by them.

In addition to the development impact fees reported in the attached AB 1600 Report, the City imposes the Western Riverside County Transportation Uniform Mitigation Fee (TUMF) and the local development fee for the Multiple Species Habitat Conservation Plan (MSHCP). These fees are a "pass-through" to WRCOG and RCA, respectively, through the City's participation in these specific regional programs. Evaluation and accounting of these regionally based fees are outside the scope of the City's AB 1600 Report.

Discussion

On June 27, 1989, City Council adopted Ordinance Number 860, establishing its first AB 1600 development fee for Library Facilities. Subsequently, the City Council adopted and updated various other development impact fees applicable to new development within the City. The purpose of development impact fees is to finance the design, construction, and acquisition of facilities and equipment necessary to accommodate future development within the City. Through the General Plan and fee studies, the City of Lake Elsinore has established the nexus between development, the capital improvements necessary to mitigate the effects of development, and approved fees to fund the mitigation measures.

Development impact fees that are collected are segregated and placed in special revenue funds, which earn interest. Those funds are held for the facilities for which the fees are collected, per Government Code Section 66006. As of June 30, 2023, the City had eight separate and distinct fees that are collected under AB 1600. Following is a summary listing of the fees, along with the balance for each fee account at June 30, 2023:

Development Impact Fee:	Ending Balance @ 6/30/23
Traffic Infrastructure Fee	\$ 94,563.00
City Hall and Public Works Facilities Fees	934.59
Community Center Facilities Fees	161,594.82
Lake Side Facilities Fees	272,607.98
Animal Shelter Facilities Fees	118.76
Library Mitigation Fees	1,330,022.76
Fire Facilities Fees	579,874.13
Storm Drain Fees	3,083,726.65
Total	\$ 5,523,442.69

The AB1600 Report includes a detailed expenditure and revenue report for each development impact fee special revenue fund. The nature of the development impact fee special revenue funds is such that the timing of receipt of revenues and construction of the related capital projects rarely coincide. As a practical matter, revenues are collected over time and accumulated until a development-related project is needed; in years of construction, accumulated reserves will be used up. No interfund transfers or loans have been made from capital accounts and no refunds have been made.

In using the expenditure and revenue reports to determine whether the fees have been spent within five years of collection, the total expenditures and transfers-out over the five years must be added together, and then that total must be subtracted from the earliest fund balance. In several instances, this calculation shows that not only have fees collected five years ago been spent but depending on the fund, fees collected in ensuing years have also been spent.

Although AB1600 requires fees collected from developers to be expended or committed within five years, the law allows exceptions in recognition that some project costs can be of a magnitude that takes more than five years to accrue adequate funds; or matching funds may not be available within the five years. AB 1600 requires the City to make certain findings as to any unexpended development impact fee funds, whether committed or uncommitted, remaining after the fifth fiscal year following the first deposit and every five years thereafter.

The AB1600 excludes fees collected under development agreements adopted according to (Section 65864) from the definition of "fees" so it has been generally accepted that only fees collected as a condition of development for the cost of public facilities are subject to the AB1600 requirements.

However, the development agreement statutes require "for any development agreement entered into on or after January 1, 2004, a city, county, or city and county shall comply with Section 66006 for any fee it receives or cost it recovers." The following six development agreements fall under this provision (see Exhibit B).

- Village at Lakeshore (aka Westlake) – Pay \$500/unit Development Agreement Fee and \$2.00/square foot Affordable Housing In-Lieu Fee in addition to fees covered in the AB1600 report.
- Sports Complex – Pay only fees covered in the AB1600 report.

- Laing (aka Summerly) – Pay \$4,500/unit for Development Agreement Fee which is credited against the cost of the golf course and other improvements and \$1.30/sf Summerly Traffic Impact Fee in addition to fees covered in the AB1600 report.
- Mohr Affinity - Paid Initial Development Agreement Fee \$50,000; Pay \$2.50/sf Commercial Development Agreement Fee
- Alberhill Villages – Paid Initial Development Agreement Fee \$100,000; Pay Development Agreement Fee (subject to annual adjustment and subject to limited exemptions) \$4,500/Single Family unit, \$3,200/Multi-Family unit; \$2,500/Mixed Use unit; \$1.00/sf Commercial/Retail/Industrial Building and Private Institutional/Places of Worship (non-sanctuary); Pay \$2.00/sf Alberhill Park Fee in addition to fees covered in the AB1600 report.
- Tri Pointe Homes (Canyon Hills Estates) – Pay \$5,500/dwelling unit Development Agreement Fee in addition to fees covered in the AB1600 Report.

All development impact fee categories satisfy the provision of AB1600 that funds be expended within five years. Moreover, the City's Five Year (2023/24-2027/28) Capital Improvement Program (CIP), adopted on June 27, 2023, provides detail regarding the sources, amounts, and approximate dates of funding anticipated over a five-year period that will be used to complete the financing of future capital projects such that all fund equity balances have been programmed to fund projects.

Fiscal Impact

Tracking of the fund activities, summarizing the activity for the AB 1600 Report, and preparation of the Report requires accounting and administrative resources. No funds were expended on outside sources to comply with this unfunded State mandate. This is a required reporting and compliance report per the California Government Code 66006.

Exhibits

Exhibit A – AB1600 Annual Report

Exhibit B – Development Agreement Annual Report

Exhibit C – Development Impact & Mitigation Fee Schedule

City of Lake Elsinore
Traffic Infrastructure Fee
Government Code 66000 Calculation
FY 2022-2023

The Traffic Infrastructure Fee became effective on June 11th, 2002 with the adoption of City Ordinance #1081. Traffic Infrastructure is considered any road and highway networks, including structures (bridges, tunnels, culverts, retaining walls), signage and markings, electrical systems (street lighting and traffic lights), edge treatments (curbs, sidewalks, landscaping), and specialized facilities such as road maintenance depots and rest areas. The Traffic Infrastructure fee is collected to mitigate the additional traffic burdens created by new development to the City's arterial and collector street system and is imposed to finance the costs of new traffic infrastructure. The fee varies depending on development type and is collected for each building payable upon the issuance of the building permit.

The fee is based upon the attached formula and data sheet and varies from type of development.

Account Description	Beginning Fund Balance 07/01/2022	FY 2022-2023	Ending Fund Balance 06/30/2023
Revenues & Other Sources			
Developer Impact Fees	\$ 197,814		
Investment Earnings	4,980		
Total Sources	\$ 202,794		
Expenditures & Other Uses		306,263	
Total Uses	\$ 306,263		
Total Available	\$ 198,032	\$ (103,469)	\$ 94,563

Five Year Test
<i>Using First In First Out Method</i>
Unspent Funds Represent Ending Fund Balance
Revenues Collected from 2023
Total Ending Fund Balance
June 30, 2023
\$ 94,563
\$ 94,563

Finding: Five Year Spent Test was met in accordance with Government Code 66001.

Capital Improvement Facilities			
Capital Improvement Facilities Actual Expenses	FY 2022-2023	% Complete	% funded with fee
Other Outside Services - 205-9999-5201	\$ 11,323	-	-
Annual Citywide Intersection Signal Upgrades - Z10052	8,715	50%	4%
Citywide Sidewalk Survey Program - Z10067	154,182	75%	63%
Citywide Sign Inventory - Z10068	132,044	75%	94%
Total Capital Improvement Facilities Actual Expenses	\$ 306,263		
Anticipated Future Projects	FY 2023-2024		% funded with fee
Annual Citywide Intersection Signal Upgrades - Z10052	201,000		100%
Citywide Sidewalk Survey Program - Z10067	245,000		100%
Citywide Sign Inventory - Z10068	140,000		100%
Total Anticipated Future Projects	\$ 586,000		

City of Lake Elsinore
City Hall and Public Works Facilities Fees
Government Code 66000 Calculation
FY 2022-2023

The City Hall and Public Works Facilities Fee became effective on August 23rd, 2005 with the adoption of City Ordinance #1153. City Hall and Public Works Facilities serve both homes and businesses citywide. The City Hall and Public Works Facilities fee is collected to mitigate the additional burdens created by new development for city hall and public works facilities and is imposed to finance the costs of new city hall and public works facilities. The fee varies depending on development type and is collected for each building payable upon the issuance of the building permit.

The fee is based upon the attached formula and data sheet and varies from type of development.

Account Description	Beginning Fund Balance 07/01/2022	FY 2022-2023	Ending Fund Balance 06/30/2023
Revenues & Other Sources			
Developer Impact Fees		\$ 69,459	
Investment Earnings		(1,031)	
Contributions - From Other Funds		-	
Total Sources		\$ 68,429	
Expenditures & Other Uses		246,039	
Total Uses		\$ 246,039	
Total Available	\$ 178,545	\$ (177,611)	\$ 935

Five Year Test

Using First In First Out Method

Unspent Funds Represent Ending Fund Balance	June 30, 2023
Revenues Collected from 2023	935
Total Ending Fund Balance	\$ 935

Finding: Five Year Spent Test was met in accordance with Government Code 66001.

Capital Improvement Facilities			
Capital Improvement Facilities Actual Expenses	FY 2022-2023	% Complete	% funded with fee
City Civic Center Facilities Expansion Z20006	246,039	10%	23%
Total Capital Improvement Facilities Actual Expenses	\$ 246,039		
Anticipated Future Projects	FY 2023-2024		% funded with fee
City Hall - Z20006	246,039		100%
Total Anticipated Future Projects	\$ 246,039		

City of Lake Elsinore
Community Center Facilities Fees
Government Code 66000 Calculation
FY 2022-2023

The Community Center Facilities Fee became effective on August 23rd, 2005 with the adoption of City Ordinance #1153. Community Center Facilities will primarily serve residents in the City by providing space and facilities for recreation and similar programs. The Community Center Facilities fee is collected to mitigate the additional burdens created by new development for City community center facilities and is imposed to finance the costs of new community center facilities. The fee varies depending on development type and is collected for each building payable upon the issuance of the building permit.

The fee is based upon the attached formula and data sheet and varies from type of residential development.

Account Description	Beginning Fund Balance 07/01/2022	FY 2022-2023	Ending Fund Balance 06/30/2023
Revenues & Other Sources			
Developer Impact Fees	\$ 44,164		
Investment Earnings	2,457		
Contributions - From Other Funds	-		
Total Sources	\$ 46,621		
Expenditures & Other Uses			
Total Uses	\$ -		
Total Available	\$ 114,974	\$ 46,621	\$ 161,595

Five Year Test

Using First In First Out Method

Unspent Funds Represent Ending Fund Balance	June 30, 2023
Revenues Collected from 2023	\$ 161,595
Total Ending Fund Balance	\$ 161,595

Finding: Five Year Spent Test was met in accordance with Government Code 66001.

Capital Improvement Facilities

Capital Improvement Facilities Actual Expenses	FY 2022-2023	% Complete	% funded with fee
Total Capital Improvement Facilities Actual Expenses	\$ -		
Anticipated Future Projects	FY 2023-2024		% funded with fee
			0%
Total Anticipated Future Projects	\$ -		

City of Lake Elsinore
Lake Side Facilities Fees
Government Code 66000 Calculation
FY 2022-2023

The Lake Side Facilities Fee became effective on August 23rd, 2005 with the adoption of City Ordinance #1153. Lake Side Facilities will primarily serve residents in the City by providing recreation at the lake. The Lake Side Facilities fee is collected to mitigate the additional burdens created by new development for City lake side facilities and is imposed to finance the costs of new lake side facilities. The fee varies depending on development type and is collected for each building payable upon the issuance of the building permit.

The fee is based upon the attached formula and data sheet and varies from type of residential development.

Account Description	Beginning Fund Balance 07/01/2022	FY 2022-2023	Ending Fund Balance 06/30/2023
Revenues & Other Sources			
Developer Impact Fees		\$ 63,130	
Investment Earnings		4,209	
Total Sources		\$ 67,339	
Expenditures & Other Uses			
Total Uses		\$ -	
Total Available	\$ 205,269	\$ 67,339	\$ 272,608

Five Year Test

Using First In First Out Method

Unspent Funds Represent Ending Fund Balance	June 30, 2023
Revenues Collected from 2023	\$ 272,608
Total Ending Fund Balance	\$ 272,608

Finding: Five Year Spent Test was met in accordance with Government Code 66001.

Capital Improvement Facilities

Capital Improvement Facilities Actual Expenses	FY 2022-2023	% Complete	% funded with fee
Total Capital Improvement Facilities Actual Expenses	\$ -	0%	0%
Anticipated Future Projects	FY 2023-2024		% funded with fee
Boat Dock Additions - Z40034	\$ 274,008		55%
Total Anticipated Future Projects	\$ 274,008		

City of Lake Elsinore
Animal Shelter Facilities Fees
Government Code 66000 Calculation
FY2022-2023

The Animal Shelter Facilities Fee became effective on August 23rd, 2005 with the adoption of City Ordinance #1153. Animal Shelter Facilities will primarily serve residents in the City by providing animal control and adoption services. The Animal Shelter Facilities fee is collected to mitigate the additional burdens created by new development for City animal facilities and is imposed to finance the costs of new animal facilities. The fee varies depending on development type and is collected for each building payable upon the issuance of the building permit.

The fee is based upon the attached formula and data sheet and varies from type of residential development.

Account Description	Beginning Fund Balance 07/01/2022	FY 2022-2023	Ending Fund Balance 06/30/2023
Revenues & Other Sources			
Developer Impact Fees		\$ 28,202	
Investment Earnings		262	
Contributions - From Other Funds		-	
Total Sources		\$ 28,464	
Expenditures & Other Uses		28,513	
Total Uses		\$ 28,513	
Total Available	\$ 167	\$ (49)	\$ 119

Five Year Test

Using First In First Out Method

Unspent Funds Represent Ending Fund Balance	June 30, 2023
Revenues Collected from 2023	\$ 119
Total Ending Fund Balance	\$ 119

Finding: Five Year Spent Test was met in accordance with Government Code 66001.

Capital Improvement Facilities

Capital Improvement Facilities Actual Expenses	FY 2022-2023	% Complete	% funded with fee
Contribution to Other Funds - 119-9999-5234	\$ 28,513	-	-
Total Capital Improvement Facilities Actual Expenses	\$ 28,513		
Anticipated Future Projects	FY 2023-2024		% funded with fee
	\$ -		-
Total Anticipated Future Projects	\$ -		

Note: The City is advancing funds to pay for the proportionate share of construction of the new Animal Shelter facility, since no funding is available in this DIF fund.

City of Lake Elsinore
Library Mitigation Fees
Government Code 66000 Calculation
FY 2022-2023

The Library Mitigation Fee became effective on June 25th, 1977 with the adoption of City Ordinance #573.1 (C) (1-6) and City Ordinance #764.1 in 1986. Library Facilities are considered libraries that meet the Riverside City/County Library Standards that will primarily serve residents in the City by providing the physical facilities necessary to support library. The Library Mitigation fee is collected for future construction of library improvements to assure the necessary library facilities are provided to the community. The fee varies depending on development type and is collected for each building payable upon the issuance of the building permit.

The fee is based upon the attached formula and data sheet and equals \$150 per dwelling unit.

Account Description	Beginning Fund Balance 07/01/2022	FY 2022-2023	Ending Fund Balance 06/30/2023
Revenues & Other Sources			
Developer Impact Fees		\$ 12,970	
Investment Earnings		22,194	
Total Sources		\$ 35,164	
Expenditures & Other Uses			
Total Uses		\$ -	
Total Available	\$ 1,294,859	\$ 35,164	\$ 1,330,023

Five Year Test

Using First In First Out Method

Unspent Funds Represent Ending Fund Balance	June 30, 2023
Revenues Collected from 2007	\$ 107,212
Revenues Collected from 2008	\$ 81,752
Revenues Collected from 2009	\$ 50,693
Revenues Collected from 2010	\$ 59,383
Revenues Collected from 2011	\$ 74,372
Revenues Collected from 2012	\$ 49,143
Revenues Collected from 2013	\$ 86,794
Revenues Collected from 2014	\$ 111,426
Revenues Collected from 2015	\$ 73,385
Revenues Collected from 2016	\$ 98,605
Revenues Collected from 2017	\$ 115,284
Revenues Collected from 2018	\$ 88,741
Revenues Collected from 2019	\$ 105,722
Revenues Collected from 2020	\$ 119,025
Revenues Collected from 2021	\$ 57,691
Revenues Collected from 2022	\$ 15,630
Revenues Collected from 2023	\$ 35,164
Total Ending Fund Balance	\$ 1,330,021

Finding: Five Year Spent Test was met in accordance with Government Code 66001. The City makes a finding that it will begin the acquisition and design phase to construct a new Library within the next 2 years in accordance with the Fiscal Year 2024-2027 Capital Improvement Program. The expected cost for this project is approximately \$8 million.

Capital Improvement Facilities

Capital Improvement Facilities Actual Expenses	FY 2022-2023	% Complete	% funded with fee
Total Capital Improvement Facilities Actual Expenses	\$ -	0%	0%
Anticipated Future Projects	FY 2023-2024		% funded with fee
City Library - Z20003	\$ 1,301,159		52%
Total Anticipated Future Projects	\$ 1,301,159		

City of Lake Elsinore
Fire Facilities Fees
Government Code 66000 Calculation
FY 2022-2023

The Fire Facilities Fee became effective on June 13th, 2006 with the adoption of City Ordinance #1181. Fire Facilities are considered fire stations and similar public safety facilities that will primarily serve residents in the City by providing the physical facilities necessary to support fire, paramedic and emergency response programs. The Fire Facilities fee is collected to mitigate the additional burdens created by new development for City fire facilities and is imposed to finance the costs of new fire facilities. The fee varies depending on development type and is collected for each building payable upon the issuance of the building permit.

The fee is based upon the attached formula and data sheet and varies from type of development.

Account Description	Beginning Fund Balance 07/01/2022	FY 2022-2023	Ending Fund Balance 06/30/2023
<i>Revenues & Other Sources</i>			
Developer Impact Fees	\$ 79,514		
Investment Earnings	9,405		
Total Sources	\$ 88,918		
<i>Expenditures & Other Uses</i>			
Total Uses	\$ -		
Total Available	\$ 490,956	\$ 88,918	\$ 579,874

Five Year Test

Using First In First Out Method

Unspent Funds Represent Ending Fund Balance	June 30, 2023
Revenues Collected from 2021	\$ 285,804
Revenues Collected from 2022	\$ 205,152
Revenues Collected from 2023	\$ 88,918
Total Ending Fund Balance	\$ 579,874

Finding: Five Year Spent Test was met in accordance with Government Code 66001.

Capital Improvement Facilities	FY 2022-2023	% Complete	% funded with fee
Capital Improvement Facilities Actual Expenses	FY 2022-2023		
Total Capital Improvement Facilities Actual Expenses	\$ -		
Anticipated Future Projects	FY 2023-2024		% funded with fee
			0%
Total Anticipated Future Projects	\$ -		

City of Lake Elsinore
Storm Drain Fees
Government Code 66000 Calculation
FY 2022-2023

The Storm Drain Facilities Fee became effective in 1991 with the adoption of City Ordinance #919. Storm Drain Facilities are considered for the development of property within any drainage district designated in the master plan of drainage. The Storm Drain fee is collected for the construction or reimbursement for drainage facilities called for in the master plan within the drainage district. The fee varies depending on location based on the City of Lake Elsinore's drainage facilities plan map and is payable as condition to final map approval or upon issuance of building permit if not previously paid.

The fee is based upon the attached formula and data sheet and varies from location.

Account Description	Beginning Fund Balance 07/01/2022	FY 2022-2023	Ending Fund Balance 06/30/2023
Revenues & Other Sources			
Developer Impact Fees		\$ 348,591	
Investment Earnings		52,961	
Total Sources		\$ 401,552	
Expenditures & Other Uses		22,809	
Total Uses		\$ 22,809	
Total Available	\$ 2,704,984	\$ 378,743	\$ 3,083,727

Five Year Test

Using First In First Out Method

<i>Unspent Funds Represent Ending Fund Balance</i>	<i>June 30, 2023</i>
Revenues Collected from 1991-2014	\$ 5,667,408
Revenues Collected from 2015	(2,234,928)
Revenues Collected from 2016	(1,032,664)
Revenues Collected from 2017	(1,195,753)
Revenues Collected from 2018	(877,702)
Revenues Collected from 2019	86,689
Revenues Collected from 2020	304,740
Revenues Collected from 2021	556,895
Revenues Collected from 2022	1,430,299
Revenues Collected from 2023	\$ 378,743
Total Ending Fund Balance	\$ 3,083,727

Finding: Five Year Spent Test was met in accordance with Government Code 66001.

Capital Improvement Facilities

Capital Improvement Facilities Actual Expenses	FY 2022-2023	% Complete	% funded with fee
Pope Circle Improvements - Z10077	\$ 22,809	75%	8%
Total Capital Improvement Facilities Actual Expenses	\$ 22,809		
Anticipated Future Projects	FY 2023-2024		% funded with fee
Annual Citywide Surface & Minor Drain Imprvnts - Z10000	\$ 195,000		100%
Pope Circle Improvements - Z10077	\$ 280,000		100%
Avenues Drainage Improvements - Z10032	\$ 941,763		100%
Collier Ave Culvert Drainage Improvements - Z30013	\$ 600,000		100%
Total Anticipated Future Projects	\$ 2,016,763		